



Know Dangers of Predatory Lenders

By Mass Communication Specialist 3rd Class Andrea Perez, Navy Personnel Command Public Affairs

MILLINGTON, Tenn.— With the high cost of summer vacation season right around the corner, Navy leadership reminds Sailors to be wary of predatory lending practices.

According to Holly Petraeus, assistant director, Consumer Financial Protection Bureau (CFPB), Office of Service Member Affairs, the number of service members affected by predatory lending acts is hard to measure.

“It can be embarrassing to go and tell somebody that you got ripped off,” said Petraeus. “It’s so common for Sailors to walk into [a financial counselor] with significant financial problems that unfortunately have gotten really severe by the time they walk in and ask to see a counselor.”

Predatory loans are usually small, short-term arrangements designed to bridge cash-strapped borrowers until their next paycheck. However, they are expensive, high-interest loans that often cost \$10 to \$44 dollars per week per \$100 dollars borrowed, plus fees. If a loan is not paid at the original payment due date and rolled-over to the next payday, multiple rollovers lead to a situation where most Sailors cannot pay off the loan.

Financial difficulties can threaten a service member’s security clearance and career, so Petraeus suggests that addressing financial issues openly can work to a Sailor’s advantage.

Petraeus recently met with Mid-South and Navy Personnel Command (NPC) leadership and spoke to Sailors about how to make informed consumer decisions.

She discussed the Military Lending Act, which provides some protection for active-duty service members, active National Guard or Reserve personnel, and their dependents against the type of predatory loans that are commonly found outside the gates of bases.

According to Petraeus, service members may appeal to predatory lenders because they have a guaranteed source of income.

“The Military Lending Act caps payday loans, auto title loans, and tax refund anticipation loans to military on active duty and their dependents at an annual rate of 36 percent,” said Petraeus. “That sounds high, I know, but the average payday loan is actually about 390 percent.”

The Military Lending Act defines payday loans as loans of closed-end credit, 91 days or less and less than \$2,000 dollars and defines auto title loans as loans of closed-end credit that are 181 days or less.

“The problem...is that some folks have just changed the definition of their product enough to get outside of that law,” said Petraeus. “So you’ll see some sites online advertising that type of loan that will say right on there, ‘we’re not subject to the Military Lending Act because our loan is for more than 90 days.’”



Sailors experiencing financial challenges should notify their chain of command and work with their command financial specialist (CFS) to develop a budget and explore additional options such as military relief societies, eligibility for interest rate reductions and other relief.

For more information, visit the CFPB web site, <http://www.consumerfinance.gov>, or your CFS or local Fleet and Family Support Center.

For more news from NPC, visit www.navy.mil/local/npc/.